

CONRAIL

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INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION
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RECORDATION NO. 8985-B
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7-252A034

September 9, 1977 INTERSTATE COMMERCE COMMISSION

SEP 9 1977

Robert L. Oswald, Secretary
Interstate Commerce Commission
12th & Constitution Ave., N.W.
Washington, D.C. 20423

8985A Date
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ICC Washington, D. C.

Dear Mr. Oswald:

INTERSTATE COMMERCE COMMISSION

Pursuant to Section 20c of the Interstate Commerce Act and as provided by Volume 49 Code of Federal Regulations Sections 1116.1 through 1116.4, we present the following documents, all dated as of June 1, 1977, for recordation:

- (A) Conditional Sale Agreement between Thrall Car Manufacturing Company, Pullman Incorporated (Pullman Standard Division), Whittaker Corporation (Berwick Forge Fabricating Division), and First Security Bank of Utah, N.A., as Trustee;
- (B) Agreement and Assignment between Thrall Car Manufacturing Company, Pullman Incorporated (Pullman Standard Division), Whittaker Corporation (Berwick Forge Fabricating Division), and Mellon Bank, N.A., as Agent;
- (C) Lease of Railroad Equipment between Consolidated Rail Corporation and First Security Bank of Utah, N.A., as Trustee;
- (D) Assignment of Lease and Agreement between First Security Bank of Utah, N.A., as Trustee, and Mellon Bank, N.A., as Agent.

The names and addresses of the parties to the documents are:

(i) With respect to the Conditional Sale Agreement described under (A):

Vendors	Thrall Car Manufacturing Company 26th & State Streets Chicago Heights, Illinois 60411
	Pullman Incorporated (Pullman Standard Division) 200 South Michigan Avenue Chicago, Illinois 60604
	Whittaker Corporation (Berwick Forge & Fabricating Division) West Eighth Street Berwick, Pennsylvania 18601
Purchaser	First Security Bank of Utah, N.A., as Trustee 79 South Main Street Salt Lake City, Utah 84111

(ii) With respect to the Agreement and Assignment described under (B):

Assignors	Thrall Car Manufacturing Company 26th & State Streets Chicago Heights, Illinois 60411
	Pullman Incorporated (Pullman Standard Division) 200 South Michigan Avenue Chicago, Illinois 60604
	Whittaker Corporation (Berwick Forge & Fabricating Division) West Eighth Street Berwick, Pennsylvania 18601
Assignee	Mellon Bank, N.A., as Agent Mellon Square Pittsburgh, Pennsylvania 15230

(iii) With respect to the Lease of Railroad Equipment described under (C):

Lessor First Security Bank of Utah, N.A.,
 as Trustee
 79 South Main Street
 Salt Lake City, Utah 84111

Lessee Consolidated Rail Corporation
 1310 Six Penn Center Plaza
 Philadelphia, PA. 19104

(iv) With respect to the Assignment of Lease and Agreement described under (D):

Assignor First Security Bank of Utah, N.A.,
 as Trustee
 79 South Main Street
 Salt Lake City, Utah 84111

Assignee Mellon Bank, N.A., as Agent
 Mellon Square
 Pittsburgh, Pennsylvania 15230

The equipment covered by the documents is:

<u>Type</u>	<u>AAR Mechanical Designation</u>	<u>No. of Units</u>	<u>Marked*</u>	<u>Numbers (Inclusive)</u>
Coil Steel Flatcars	GBS	300	Conrail	628001-628300
Covered Hopper Cars	LO	400	Conrail	883600-883999
Sixty Foot Boxcars	XP	122	Conrail	223001-223122

*Each unit will have marked thereon the following legend:

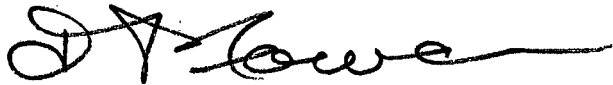
"Owner by a bank or trust company under a security agreement filed under the Interstate Commerce Act Section 20c and leased under a lease deposited in accordance with Section 86 of The Railway Act of Canada."

These documents have not been previously recorded with the Interstate Commerce Commission.

Our check in the amount of \$100.00 is enclosed to cover the recordation fees.

After retaining a counterpart original of the documents please return the remaining copies, stamped with your recordation number, to Consolidated Rail Corporation, Room 1138, Six Penn Center Plaza, Philadelphia, Pennsylvania, 19104, in the custody of the individual presenting them for recordation.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "J. T. Rowan", with a long horizontal flourish extending to the right.

Joseph T. Rowan
Assistant Corporate Counsel

JTR:smg

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

9/9/77

OFFICE OF THE SECRETARY

Joseph T. Rowan
Assistance Corp. Counsel
Consolidated Rail Corp. Rm. 1138
Six Penn Center Plaza
Phila. Pa. 19104

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **9/9/77** at **10:30am**,
and assigned recordation number(s)

Sincerely yours,



H.G. Homme, Jr.
Acting Secretary

8985
8985-A
8985-B
8985-C

Enclosure(s)

8985-B
RECORDATION NO. Filed & Recorded

SEP 9 1977-10 30 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of June 1, 1977

between

CONSOLIDATED RAIL CORPORATION

and

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION --

Not in Its Individual Capacity but Solely

as Trustee under a Trust Agreement

dated as of the date hereof with

Steiner Sea, Air & Rail Co.,

C I Transportation Leasing Corporation

and The Fifth Third Leasing Company

LEASE OF RAILROAD EQUIPMENT dated as of June 1, 1977, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (hereinafter called the Lessee), and FIRST SECURITY BANK OF UTAH, National Association, a national banking association, acting not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Trust Agreement) with Steiner Sea, Air & Rail Co., C I Transportation Leasing Corporation and The Fifth Third Leasing Company, as beneficial owners (said bank, when acting in such capacity, being hereinafter called the Lessor, and said owners being hereinafter together called the Beneficiaries).

WHEREAS, the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof with Thrall Car Manufacturing Company, Pullman Incorporated (Pullman Standard Division) and Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter together called the Builders) (such agreement being hereinafter called the Security Documentation), wherein the Builders have agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS, each Builder is assigning its interests in the Security Documentation pursuant to an Agreement and Assignment (hereinafter called the Assignment) to Mellon Bank, N.A., a national banking association, acting as agent (said bank when acting in such capacity being hereinafter, together with its successors and assigns, called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, Lessee, the Beneficiaries, and the parties named in Schedule A thereto;

WHEREAS, the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Documentation (hereinafter called the Units) at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS, the Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (hereinafter called the Lease Assignment) and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (hereinafter called the Consent);

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

Section 1. Net Lease. This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligation to pay all rent and other amounts payable hereunder and the rights of the Lessor in and to such rent and other amounts shall be absolute and unconditional, and Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documentation, or against the Builders or the Vendors or any financial institution providing funds to the Lessor for the purpose of financing the Equipment or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee or the Lessor, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this

Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor a certificate of acceptance and delivery (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with Section 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

Section 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, one interim rental payment on January 5, 1978, and thereafter 30 consecutive semiannual payments payable on July 5 and January 5 of each year commencing July 5, 1978. The interim rental payable on January 5, 1978, shall be in an amount equal to .026389 percent of the Purchase Price (as defined in the Security Documentation) of each Unit then subject to this Lease from the Closing Date (as defined in the Security Documentation) for that Unit for each day to

and including January 5, 1978. The 30 semiannual rental payments shall each be in an amount equal to 4.968486 percent of the Purchase Price of each Unit then subject to this Lease.

If any of the semiannual rental payment dates referred to above is not a business day the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Salt Lake City, Utah, or Pittsburgh, Pennsylvania, are authorized or obligated to remain closed.

Unless the Lease Assignment is not executed and delivered, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, other than the payments provided for in Sections 6 and 9 hereof (except indemnification payments owing to the Vendor pursuant to Articles 6 and 13 of the Security Documentation), but including without limitation the payments provided for in this Section 3 and in Section 7 hereof, at the principal office of the Vendor until the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment (as defined in the Security Documentation), together with interest and all other payments required by the Security Documentation, for the account of the Lessor in care of the Vendor, with instructions to the Vendor (subject to the provisions of the Consent) first, to apply such payments to satisfy the obligations of the Lessor under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds on the date such payment is due.

Section 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof

is due pursuant to Section 3 or Section 13 hereof, as the case may be. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation. If an event of default should occur under the Security Documentation, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

Section 5. Marking of the Units. The Lessee will cause each Unit to be kept numbered with its identifying number as set forth in Schedule A hereto, or in the case of Equipment not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Equipment and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Owned by a bank or trust company under a security agreement filed under the Interstate Commerce Act, Section 20c and leased under a lease deposited in accordance with Section 86 of the Railway Act of Canada," or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's ownership and the Vendor's security interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such markings have been made thereon and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the number of any Unit (i) except in accordance with a statement of a new number or numbers to be substituted therefor, which statement previously shall have been filed with the Lessor and the Vendor by the Lessee and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited, and (ii) until the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect and to the effect that

such filing and recordation will protect the interest of the Vendor and the Lessor in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state and local government or agency thereof is necessary in order to protect the interest of the Vendor or the Lessor in and to the Units in the United States of America or any state thereof and Canada or any province thereof.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia of the Lessee or its affiliates.

Section 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor and the Beneficiaries with respect to the amount of any local, state, federal or foreign taxes (other than (i) any United States Federal Income Tax payable by the Beneficiaries in consequence of the receipt of payments provided for herein, and (ii) the aggregate of all state or local taxes measured by net income based on such receipts, up to the amount of any such taxes based on such receipts which would be payable to the state and locality in which any of the Beneficiaries have their principal places of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documentation, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof

and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the security interest of the Vendor or the interest of the Beneficiaries or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof is permitted by law and does not, in the reasonable opinion of the Lessor, adversely affect the title, property, rights or interest of the Lessor or the Beneficiaries hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such imposition within a reasonable time prior to such payment.

In the event that the Lessor shall become obligated to make any payment to the Builders or the Vendor or otherwise pursuant to any correlative provision of the Security Documentation or the Beneficiaries shall become obligated to make payment to the Lessor pursuant to any similar provision with respect to taxes in the Trust Agreement, not covered by the foregoing paragraph of this Section 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor or the Beneficiaries to fulfill completely its or their obligations pursuant to said provision.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will prepare, make and file such returns, statements and reports in such manner as to show the interest of the Lessor, the Beneficiaries and the Vendor in such Units.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this Section 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this Section 6, the Lessor hereby authorizes the Lessee to act in the Lessor's name and on the Lessor's behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this Section 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

Section 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition, and in accordance with the standards prescribed by the Association of American Railroads.

In the event that any Unit shall be or become worn out beyond economic repair, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation for use or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a stated period not in excess of the then remaining term of this Lease (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Any Casualty Value not paid when due shall accrue interest as provided in Section 16 hereof. Upon the making of such

payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. It is understood and agreed that the Lessee may be the purchaser of such Unit. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite the rental payment date succeeding the actual date of such Casualty Occurrence.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20 percent of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. It is understood and agreed that the Lessee may be the purchaser of such Unit. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of requisition for use by the United States Government (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof not constituting a Casualty Occurrence all of the Lessee's obligations under this Lease with respect to such

Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Sections 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said Sections 11 or 14, as the case may be, with respect to such Unit. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee, and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts and against risks comparable in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it; provided, however, that the Lessee may self-insure any Unit to the extent that it self-insures similar equipment owned by it. Any policies of public liability insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancellation to the Lessor, the Beneficiaries and the Vendor and (ii) name the Lessor, the Beneficiaries and the Vendor as additional named insureds as their respective interests may appear and shall provide that in respect of the interests of the Lessor, the Beneficiaries and the Vendor in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor, the

Beneficiaries or the Vendor) and shall insure the Lessor, the Beneficiaries and the Vendor regardless of any breach of violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor, the Beneficiaries or the Vendor). If the Lessor (or the Vendor) shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor (or the Vendor) shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor (or the Vendor) in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor and the Vendor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 8. Reports. On or before March 31 in each year, commencing with the calendar year 1978, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof and by the Security Documentation have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or death of, any person exercising the rights of inspection granted under this sentence.

Section 9. Disclaimer of Warranties; Compliance With Laws and Rules; Indemnification. THE LESSEE ACKNOWLEDGES AND AGREES (1) THAT EACH UNIT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY THE LESSEE, (2) THAT THE LESSEE IS SATISFIED THAT THE SAME IS SUITABLE FOR ITS PURPOSES, (3) THAT THE LESSOR IS NOT A MANUFACTURER OR INSTALLER THEREOF, NOR A DEALER IN PROPERTY OF SUCH KIND, (4) THAT THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND (5) THAT THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against any of the Builders under the provisions of Item 3 of Annex A and the patent infringement and title indemnification provisions of Article 13 of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability (including, without limitation, strict or absolute liability in tort or otherwise), loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Unit or any risks relating thereto; (iii) any interruption of services, loss of business or anticipated profits or consequential damages; (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit; or (v) any other damages whatsoever and howsoever caused. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as

between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply, and will cause every sublessee or user of the Units to comply, in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense and the Lessor will have title thereto; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation. The Beneficiaries will include as additional rental income the fair market value of such non-severable improvements at the time such improvements are made. If Section 4(4) of Revenue Procedure 75-21 subsequently is amended to allow such non-severable improvements without the foregoing income tax treatment, the Beneficiaries and the Lessee may request a supplemental ruling from the National Office of the Internal Revenue Service, as to whether the improvements meet the requirements of Revenue Procedure 75-21 as amended. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall

be owned by the Lessee and shall be removed by it upon the return of the Units pursuant to Section 14 hereof.

The Lessee assumes the risk of and agrees to indemnify, protect and hold harmless the Lessor, the Beneficiaries and the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for absolute or strict liability in tort or otherwise) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of this Lease or the occurrence of a default, an event of default or an Event of Default under the Security Documentation, the Participation Agreement, this Lease, or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the ordering, manufacture, acquisition, use, operation, maintenance, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 14 of this Lease, or the transfer of title to or its security interest in the Equipment by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease. The indemnities arising under this Section 9 shall not be deemed to operate as a guaranty of the principal of or interest on the Conditional Sale Indebtedness under the Security Documentation, or as a guaranty of residual value.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the security interest of the Vendor in the Units, or the leasing thereof to the Lessee.

Section 10. Default. If, during the continuance of this Lease, one or more of the following events (each such

event being herein sometimes called an Event of Default) shall occur:

A. Default shall be made in payment of any amount provided for in Sections 3, 7 or 13 hereof, and such default shall continue for ten days;

B. The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof or the insurance to be maintained by the Lessee under Section 7 hereof shall for any reason not remain in full force and effect as therein provided, unless comparable substitute insurance satisfactory to the Lessor and the Agent shall be in force or unless the Lessee self-insures as permitted in said Section 7;

C. Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Consent, or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease or under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree (whether or not subject to ratification), by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status and

priority as obligations incurred by such trustee or trustees entitled to the first priority for expenses or administration;

E. Any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue);

F. Any representation or warranty of the Lessee contained in the Participation Agreement shall be materially incorrect at the time the same was made, and the Lessor shall have given the Lessee seven days' written notice of the incorrectness of such representation or warranty; or

G. An event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder;

then, the Lessor, at its option, may:

(a) With respect to an Event of Default under subsection 10 C. hereinabove caused by the Lessee's breach of its representation under subparagraph 3(n) of the Participation Agreement, the Lessor shall recover from the Lessee any moneys paid under the Conditional Sale Agreement with respect to any unit or units of Equipment for which the documents required pursuant to subparagraph 3(n) have not been furnished (unless

the requirement to furnish such documents has been previously waived by the Lessor) as of the occurrence of the Event of Default and concurrently shall assign to the Lessee all of its rights, titles, interests and obligations under the Conditional Sale Agreement with respect to said unit or units; provided, however, that the Lessee agrees that the purchase price under the Conditional Sale Agreement for said unit or units shall be the greater of the Purchase Price (as defined in the Conditional Sale Agreement) and the Fair Market Value (as defined in the Lease); the Builder has agreed in the Assignment to the modification of the Purchase Price and the assignment contemplated by this subsection (a);

and, in any other case, the Lessor, at its option, may:

(b) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or the Participation Agreement or to recover damages for the breach thereof including net after-tax losses of federal, state and local income tax benefits to which the Lessor would otherwise be entitled under this Lease or the Participation Agreement; or

(c) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall,

nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, (A) whichever of the following sums the Lessor, in its sole discretion, shall specify: (x) with respect to each Unit the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present values to be computed in each case on the basis of a 6 percent per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the net proceeds of the sale of the Equipment if sold, or, if not sold at such time, the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; plus (B) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, for an amount equal to any amounts payable pursuant to the last sentence of the fifth paragraph of Article 16 of the Security Documentation and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, except with respect to subsection (a) hereinabove, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments or other payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

Except as otherwise provided in this Lease and the Security Documentation, the Lessee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more Units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Lease and the Security Documentation and any and all rights of redemption.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 11. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to

the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, normal wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

A. Forthwith place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

B. Permit the Lessor to store such Units on such tracks at the risk of the Lessee until the earlier of the date all such Units have been sold, leased or otherwise disposed of by the Lessor or the 270th day from the date the Lessee shall have placed all the Units on such storage tracks; and

C. Transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

During any storage period, the Lessee will, at its own cost and expense, maintain, insure and keep the Equipment in good order and repair. This agreement to assemble, deliver, store and transport the Units and furnish facilities as hereinbefore provided shall be at the expense and risk of the Lessee and is the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance hereof. The Lessee hereby expressly waives any and all claims against the Lessor and its agent or agents for damages of whatever nature in connection with any retaking of any Units in any reasonable manner. In the event any Unit is not assembled, delivered, stored and transported, as hereinabove provided, within 60 days after termination of the Lease, the Lessee shall pay to the Lessor for each day thereafter an amount equal to the amount of the per diem interchange rate for such Unit.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 11, the Lessee hereby irrevocably appoints the Lessor as the

agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's assigns (including the Vendor), and if this Lease is assigned to the Vendor the fact that the Vendor is specifically named herein in certain provisions shall not be construed as limiting the rights assigned to the Vendor pursuant to such assignment.

So long as the Lessee shall not be in default under this Lease and no Event of Default shall exist under the Security Documentation, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge or security interest (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Lessor and of the Vendor, adversely affect the title of the Lessor or the security interest of the Vendor in or to the Units or otherwise under this Lease or the Security Documentation. In the event that the Lessee fails to promptly pay or discharge any lien, charge or security interest to the extent required

by this paragraph, the Lessor or the Vendor may, but shall have no obligation to, pay or discharge the same and any amounts paid by the Lessor or the Vendor in discharge of such liens, charges or security interests upon the Units shall be secured by and under this Lease.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease and no Event of Default shall exist under the Security Documentation, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease and the Security Documentation; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America other than Canada. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this Section 12 shall be deemed to restrict the right of the Lessee to assign or transfer its interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement

and the Consent) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

If the Lessee fails to make any payment or fails to perform or comply with any of its agreements contained herein, the Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses incurred by the Lessor in connection with such payment or the performance or compliance with such agreement, as the case may be, together with interest thereon at the rate of 10.5 percent per annum, shall be payable by the Lessee on demand.

Section 13. Renewal and Purchase. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than (a) nine months prior to the end of the original term hereof, notify the Lessor that the Lessee irrevocably elects that it shall either extend the term of this Lease or offer to purchase the Units covered by this Lease, all on the basis hereinafter provided, (b) six months prior to the end of the first extended term of this Lease, notify the Lessor that the Lessee irrevocably elects that it shall either extend the term of this Lease or purchase the Units covered by this Lease, all on the basis hereinafter provided, and (c) six months prior to the end of the second extended term of this Lease, notify the Lessor that the Lessee irrevocably elects to purchase the Units covered by this Lease on the basis hereinafter provided.

Any extension of the term of this Lease pursuant to clauses (a) or (b) of the first paragraph of this Section shall be in respect of all of the Units then covered by this Lease and shall be for a two-year period commencing on the scheduled expiration of the original term or the first extended term of this Lease, at a "Fair Market Rental" payable in semiannual payments on each January 5 and July 5 of such extended term. Any offer to purchase pursuant to clause (a) of the first paragraph of this Section shall be

with respect to all of the Units covered by this Lease at the end of such original term. Any purchase pursuant to clauses (b) or (c) of the first paragraph of this Section shall be in respect of all of the Units covered by this Lease at the end of the first or second extended term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of such first or second extended term of this Lease, as the case may be.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the rental which would be obtained in an arm's-length transaction between an informed and willing Lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease, and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed buyer-user (other than (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

If Lessee by written notice pursuant to clause (a) of the first paragraph of this Section notifies Lessor that it will either extend the term of this Lease or offer to purchase the Units, it shall within 30 days thereafter deliver to Lessor a notice stating whether it (i) intends to extend the term of this Lease or (ii) is thereby offering to purchase the Units. If it offers to purchase the Units, such notice shall include the amount which it is willing to pay for the Units and the terms upon which it is willing to make such purchase. Lessor agrees that if it receives a notice pursuant to clause (a) of the first paragraph of this Section, it will not sell the Units prior to the latter of (i) the receipt of a notice of intent to extend the term of this Lease or (ii) the receipt and rejection of Lessee's offer to purchase plus, if Lessor makes a counter offer, 30 days. Lessor further agrees that it will accept or reject Lessee's offer or make a counter offer for such purchase within 30 days of the receipt of Lessee's offer. If the sale is not consummated, through no fault of Lessor, within 30 days after Lessor accepts Lessee's offer or makes

a counter offer, then, Lessor may sell to any person on any terms subject only to the rights of Lessee under this Lease. It is expressly understood that notwithstanding Lessee's right to notify Lessor of its desire to purchase the Units, Lessor is not under any obligation to and does not currently have any intention of selling the Units at the end of the original term of this Lease. If Lessor rejects Lessee's offer to purchase or Lessee rejects Lessor's counter offer, Lessee shall have the right to elect to extend the term of this Lease if Lessee notifies Lessor of such election within ten days after the final rejection in relation to the offer to purchase. Such notice shall be treated as an irrevocable election to extend the term of this Lease pursuant to clause (a) of the first paragraph of this Section. For the purposes of this paragraph the expiration of any time period specified herein without acceptance, rejection or counter offer shall be deemed a rejection.

If after 30 days from the giving of notice (i) of intent by the Lessee to extend the term of this Lease pursuant to clauses (a) or (b) of the first paragraph of this Section, or (ii) to purchase the Units pursuant to clauses (b) or (c) of the first paragraph of this Section, the Lessor and the Lessee are unable to agree upon a Fair Market Rental or the Fair Market Value, as appropriate, such rental or value shall be determined in accordance with the foregoing definition by the following procedure: Either party to such determination may give written notice to the other requesting determination of such value by appraisal procedure. The parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after the notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental and/or Fair Market Value, as the case may be, of the Units within 60 days after his or their appointment.

If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental and/or Fair Market Value, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental and/or Fair Market Value, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedures shall be borne by the Lessee. The Lessee shall, if its notice so requires because such notice was delivered pursuant to clause (b) of the first paragraph of this Section, within 30 days after the determination of Fair Market Rental and Fair Market Value, give written notice to the Lessor as to whether it shall extend the term of this Lease or purchase the Units covered by this Lease, all on the basis as provided in this Section. If such election is not permitted as Lessee shall have no alternative but to extend the term of this Lease pursuant to clause (a) of the first paragraph of this Section or to purchase the Units pursuant to clause (c) of the first paragraph of this Section, then Lessor and Lessee shall take all appropriate action to effectuate such extension or sale.

Upon payment of the purchase price of any Unit, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without recourse, representation or warranties of any kind) for such Unit as will transfer to the Lessee such title to such Unit as the Lessor derived from the Vendor, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

Section 14. Return of Units Upon Expiration of Term.
As soon as practicable on or after the expiration of the original or extended term of this Lease (if the Lessee does

not purchase the Units) the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Units to the Lessor at such point or points on its lines as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit at such point or points on the Lessee's lines as it may select, or in facilities furnished by the Lessee, for a period not exceeding 60 days after the delivery of the last Unit to the Lessor or 120 days after the expiration of the original or extended term of this Lease, whichever is later, and transport the same, at any time from the end of the term of the Lease to the expiration of such period, to any reasonable place on the lines of railroads operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee; and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof set forth in Schedule B hereto. The Lessor may continue to store any of the Units on the Lessee's lines or in the facilities furnished by the Lessee for a period of one year after the expiration of the period referred to above and shall pay the Lessee reasonable storage charges during such one-year period. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, normal wear and tear excepted, and (ii) meet the standards then in effect under any applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinabove provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to

assemble, deliver, store and transport the Units. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after termination of this Lease, the Lessee shall pay to the Lessor for each day thereafter an amount equal to the amount of the per diem interchange rate for such Unit.

Section 15. Recording. The Lessee, at its own expense, will cause this Lease, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and to be duly deposited in the office of the Registrar General of Canada; and the Lessee will cause the required notice of such deposit forthwith thereafter to be published in The Canada Gazette in accordance with Section 86 of the Railway Act of Canada. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

Section 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any non-payment of rentals and other obligations due hereunder, including without limitation Sections 3, 6, 7, 9 and 10 hereof, shall result in the obligation on the part of the Lessee promptly to pay on demand, to the extent legally enforceable, an amount equal to 10.5 percent per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first-class, postage prepaid, addressed as follows:

(a) if to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention of Trust Department, Corporate Trust Division, with a copy to each of the Beneficiaries, as follows: Steiner Sea, Air & Rail Co., 100 Pine Street, San Francisco, California 94111; C I Transportation Leasing Corporation, 231 South LaSalle Street, Chicago, Illinois 60693; The Fifth Third Leasing Company, 38 Fountain Square Plaza, Cincinnati, Ohio 45202; and

(b) if to the Lessee, at 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19104, attention of Mr. Baxter D. Wellmon, Assistant Treasurer - Cash Mobilization;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

Section 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Consent, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Section 19. No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements of First Security Bank of Utah, National Association, acting in its capacity as Trustee, or

for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under said Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or on account of any representation, undertaking or agreement of said bank as Lessor, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

Section 20. Agreements for Benefit of Beneficiaries. All rights of the Lessor hereunder (including, but not limited to, its rights under Sections 6, 7, 9 and 10 and the right to receive the rentals payable under this Lease) shall inure to the benefit of the Beneficiaries and any of the Beneficiaries' assigns under the Trust Agreement.

Section 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment to the Vendor shall be deemed to be the Original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by Section 20(c) of the Interstate Commerce Act and Section 77 of the Bankruptcy Act (as presently in force, as amended or as the substance thereof may hereafter be re-enacted, including Section 77(j) thereof); and provided, further, that the parties shall be entitled to all rights conferred by the applicable recording laws of Canada, and such additional rights arising out of the filing, recording, registering or depositing hereof and of

any assignment hereof and out of the marking on the Equipment as shall be conferred by the laws of the several jurisdictions in which the Equipment may be located and in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.


IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CONSOLIDATED RAIL CORPORATION

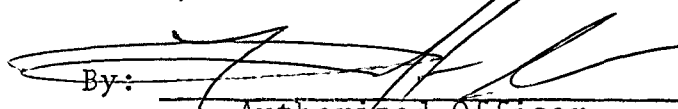
By: 
Authorized Officer

[CORPORATE SEAL]

Attest:



Authorized Officer

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in
its individual capacity, but
solely as Trustee as aforesaid

By: 
Authorized Officer

[CORPORATE SEAL]

Attest:


Authorized Officer

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

On this 1st day of September, 1977, before me personally appeared B. D. WELLMON, to me personally known, who, being by me duly sworn, says that he is the ASST TREAS. CASH MOEL of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Annamarie Cavaliere
Notary Public

[Notarial Seal]

ANNAMARIE CAVALIERE
Notary Public, Phila., Phila. Co.
My Commission Expires July 5, 1981

My Commission expires

STATE OF UTAH)
) SS:
COUNTY OF SALT LAKE)

On this 2nd day of September, 1977, before me personally appeared ROBERT S. CLARK, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national bank, that said instrument was signed and sealed on behalf of said national bank by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national bank.

Susan K. Harward
Notary Public

[Notarial Seal]

My Commission expires

My commission expires June 6, 1981

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Inclusive)</u>
60' Boxcars	122	CR 223001 - CR 223122
Coil Steel Flatcars	300	CR 628001 - CR 628300
Covered Hopper Cars	400	CR 883600 - CR 883999

SCHEDULE B TO LEASE

<u>Rental Payment Number</u>	<u>Casualty Value Percentage of Purchase Price</u>
Lease Commencement Date	107.080
1	107.495
2	107.910
3	107.037
4	107.865
5	107.449
6	100.103
7	99.205
8	98.071
9	96.726
10	88.487
11	86.734
12	84.787
13	82.674
14	73.714
15	71.293
16	68.733
17	65.988
18	63.057
19	60.036
20	56.922
21	53.720
22	50.427
23	47.047
24	43.579
25	40.026
26	36.387
27	32.665
28	28.860
29	24.969
30	20.000

SCHEDULE C TO LEASE

1. The depreciation method for each unit of Equipment shall be the double declining balance method switching to the sum of the years digits method and/or the straight line method all without the prior written consent of the Commissioner of Internal Revenue, using Class Life Asset Depreciation Range System pursuant to Section 167(m) of the Internal Revenue Code and Treasury Regulation Section 167(a)-11. Each Owner-Participant shall be allowed to take into account at least six months of depreciation for the period ending December 31, 1977.

2. The depreciable life of each unit of Equipment shall be twelve years.

3. The salvage value of each unit of Equipment after the reduction provided for in Section 167(f) shall be zero.

4. The Acquisition Cost of each unit of Equipment for each Owner-Participant shall be the sum of (i) such Owner-Participant's pro rata share of the total amount paid to the Builders pursuant to the Conditional Sale Agreement for such unit of Equipment ("the Purchase Price") and (ii) an amount equal to the product of (a) the fee to be paid by such Owner-Participant to Steiner Financial Services Corporation for services in connection with the Lease multiplied by (b) the fraction the numerator of which is the Purchase Price for such unit of Equipment and the denominator of which is the Purchase Price for all units of Equipment subject to the Lease.